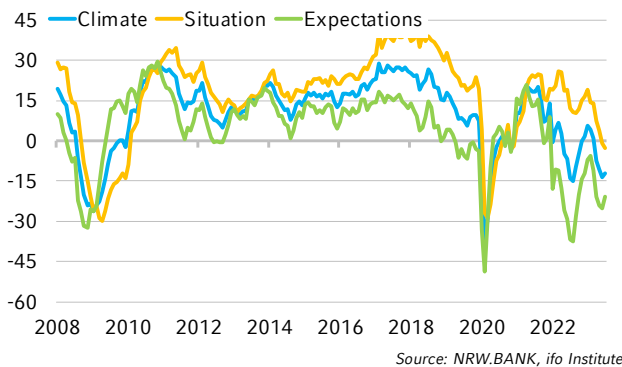


NRW economy ends month-long downturn

After five consecutive declines, the NRW.BANK.ifo business climate improved slightly in September. While companies were once again more dissatisfied with current business, pessimism for the next six months declined. North Rhine-Westphalia's economy has regained its footing after months of decline.

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted



The **NRW.BANK.ifo business climate** improved by a solid 1.4 balance points to -12.0 points in September. This was the first increase since March of this year. Although companies' assessment of their current situation deteriorated once again, pessimism about future developments declined noticeably. With the latest improvement in the climate, the long-lasting downward trend has been halted and there are signs that the economy is bottoming out. There is unlikely to be a deep slump in the economy in 2023. On the other hand, the local economy is not really making any headway either. In view of the weak demand, the mood is still not good enough across all sectors.

The climate improved most in the **service sector**. Service providers were more satisfied with the current business situation. Expectations were also significantly less pessimistic. The logistics sector in particular recovered from the previous month's slump. By contrast, the mood in the hotel and restaurant sector and in the IT sector clouded over somewhat.

The sentiment in the **retail sector** also improved somewhat. Retailers' assessment of their current situation was significantly more negative. However, the outlook for the next six months improved noticeably. The latest improvement in the sentiment was stronger in the retail sector than in the wholesale sector. In both sectors, moreover, the months-long increase in inventories ended.

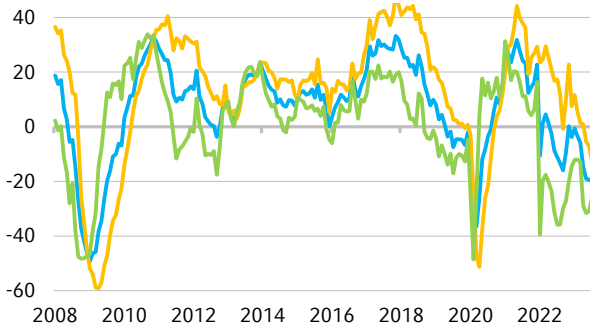
In the **manufacturing sector**, there was little change in the business climate. While companies' assessments of their current business were noticeably worse, pessimism about future developments decreased significantly. A positive signal is coming from demand for industrial goods, which is stabilizing. The individual industrial sectors have recently performed differently. Sentiment deteriorated in the metal and food industries. On the other hand, the manufactures of machinery, chemicals and auto motives reported an improved business climate.

Only in the **construction sector** the downward trend in the business climate continued in September. Sentiment fell to its lowest level since July 2009. Both current business and expectations for the next six months were rated significantly worse by construction companies. The mood in residential construction was particularly poor: Expected construction activity in the coming months fell to a new all-time low. In civil engineering, on the other hand, the business climate brightened somewhat in the wake of stable order intake

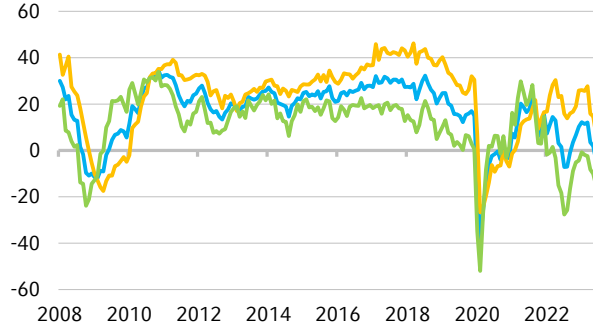
Business Climate by Sector

Balances, seasonally adjusted

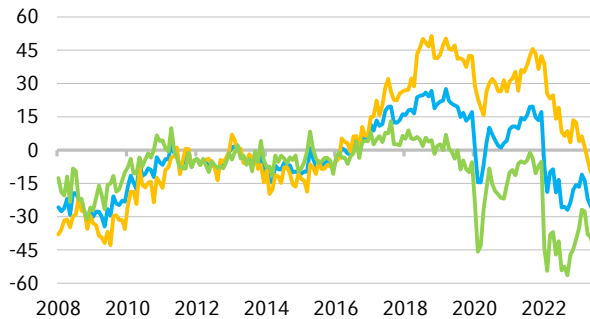
Manufacturing



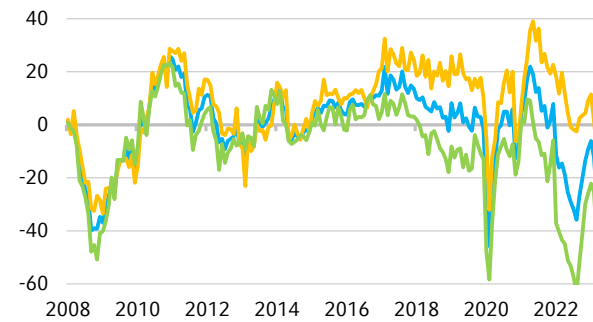
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	09/22	10/22	11/22	12/22	01/23	02/23	03/23	04/23	05/23	06/23	07/23	08/23	09/23
Entire Economy	Climate	-13.9	-15.0	-9.7	-4.7	0.0	1.6	5.7	4.1	1.0	-7.3	-10.5	-13.4	-12.0
	Situation	12.2	10.8	10.4	11.8	15.1	16.4	19.2	14.2	13.8	7.4	4.0	-0.8	-2.8
	Expectations	-36.8	-37.6	-27.9	-19.9	-14.1	-12.3	-7.0	-5.4	-11.0	-20.9	-23.9	-25.3	-20.8
Manufacturing	Climate	-11.2	-13.4	-15.9	-9.6	0.2	-3.8	-0.6	-3.4	-5.8	-14.7	-19.0	-19.4	-19.3
Service Sector	Climate	-7.1	-7.0	-0.9	3.5	6.6	10.2	12.2	11.4	12.1	3.5	1.9	-4.7	0.5
Construction	Climate	-25.8	-25.6	-26.9	-23.7	-17.9	-15.7	-16.6	-11.0	-13.8	-21.9	-25.1	-27.9	-32.5
Trade	Climate	-31.9	-35.8	-26.9	-20.3	-13.6	-9.2	-6.1	-12.4	-28.0	-21.3	-26.8	-29.6	-29.0

Source: NRW.BANK, ifo Institute

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